



Control Number: 51415



Item Number: 252

Addendum StartPage: 0

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APPLICATION OF SOUTHWESTERN §
ELECTRIC POWER COMPANY FOR § BEFORE THE STATE OFFICE
AUTHORITY TO CHANGE RATES § OF
ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUESTS FOR INFORMATION**

MARCH 11, 2021

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
**SOUTHWESTERN ELECTRIC POWER COMPANY’S RESPONSE TO EAST TEXAS
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**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-1:

SWEPCO's proposed cost of service is based on a test year ending March 31, 2020. Please list any accounting errors, corrections, or modifications identified after March 31, 2020 to accounts used in SWEPCO's proposed cost of service.

Response No. ETEC-NTEC 1-1:

See ETEC-NTEC 1-1 Attachment 1 for a listing of correcting entries noted after the close of the test period which relate to the test period.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Jrnl ID	Jrnl Date	Jrnl Orig Date	Posted Date	Time	REV	Debit	Credit	Sum Amount	Long Descr	Account	Unit
BSDRADJ	2020-03-10	2020-03-10	2020-04-22	03:28pm	Y	0.00	(240,771.28)	-240,771.28	To correct a time reporting mistake related to a AEPSC employee hitting an incorrect work order	2340001	168
BSDRADJ	2020-03-10	2020-03-10	2020-04-22	03:28pm	Y	240,771.28	0.00	240,771.28	To correct a time reporting mistake related to a AEPSC employee hitting an incorrect work order	9200000	168
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(154,187.68)	-154,187.68	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	159
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	30,837.74	0.00	30,837.74	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	159
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	46,258.30	0.00	46,258.30	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	159
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	77,093.64	0.00	77,093.64	To adjust ICP accrual to 1 factor, bill out AEPSC	5060000	159
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(96,162.27)	-96,162.27	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	161
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	15,958.78	0.00	15,958.78	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	161
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	28,848.68	0.00	28,848.68	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	161
CIP_AIE_2	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	51,354.81	0.00	51,354.81	To adjust ICP accrual to 1 factor, bill out AEPSC	5660000	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	0.00	(308,374.54)	-308,374.54	To adjust ICP accrual to 1 factor, bill out AEPSC	5060000	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	0.00	(185,025.22)	-185,025.22	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	0.00	(123,350.96)	-123,350.96	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	616,750.72	0.00	616,750.72	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	0.00	(205,419.23)	-205,419.23	To adjust ICP accrual to 1 factor, bill out AEPSC	5660000	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	0.00	(115,394.71)	-115,394.71	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	0.00	(63,835.11)	63,835.11	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:31pm	Y	384,649.05	0.00	384,649.05	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	0.00	(616,750.72)	-616,750.72	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	123,350.96	0.00	123,350.96	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	185,025.22	0.00	185,025.22	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	308,374.54	0.00	308,374.54	To adjust ICP accrual to 1 factor, bill out AEPSC	5060000	159
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	0.00	(384,649.05)	-384,649.05	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	63,835.11	0.00	63,835.11	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	115,394.71	0.00	115,394.71	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	161
CIP_AIE_2	2020-03-15	2020-03-15	2020-05-01	08:09pm	Y	205,419.23	0.00	205,419.23	To adjust ICP accrual to 1 factor, bill out AEPSC	5660000	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(16,035.52)	-16,035.52	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(2,096.58)	-2,096.58	To adjust ICP accrual to 1 factor, bill out AEPSC	2360037	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(1,134.45)	-1,134.45	To adjust ICP accrual to 1 factor, bill out AEPSC	2420076	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(628.98)	-628.98	To adjust ICP accrual to 1 factor, bill out AEPSC	4081033	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(340.33)	-340.33	To adjust ICP accrual to 1 factor, bill out AEPSC	9260052	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.01	0.00	0.01	To adjust ICP accrual to 1 factor, bill out AEPSC	1460001	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	1,134.45	0.00	1,134.45	To adjust ICP accrual to 1 factor, bill out AEPSC	9260027	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	2,096.58	0.00	2,096.58	To adjust ICP accrual to 1 factor, bill out AEPSC	4081002	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	3,207.12	0.00	3,207.12	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	5,779.96	0.00	5,779.96	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	8,017.74	0.00	8,017.74	To adjust ICP accrual to 1 factor, bill out AEPSC	5060000	159
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(17,750.96)	-17,750.96	To adjust ICP accrual to 1 factor, bill out AEPSC	2360037	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(10,000.88)	-10,000.88	To adjust ICP accrual to 1 factor, bill out AEPSC	2340029	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(8,353.39)	-8,353.39	To adjust ICP accrual to 1 factor, bill out AEPSC	2420076	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(5,325.29)	-5,325.29	To adjust ICP accrual to 1 factor, bill out AEPSC	4081033	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	0.00	(7,506.02)	-7,506.02	To adjust ICP accrual to 1 factor, bill out AEPSC	9260052	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	1,659.71	0.00	1,659.71	To adjust ICP accrual to 1 factor, bill out AEPSC	5880000	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	5,340.90	0.00	5,340.90	To adjust ICP accrual to 1 factor, bill out AEPSC	5660000	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	8,353.39	0.00	8,353.39	To adjust ICP accrual to 1 factor, bill out AEPSC	9260027	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	10,831.58	0.00	10,831.58	To adjust ICP accrual to 1 factor, bill out AEPSC	1070001	161
CIP_AIE_3	2020-03-10	2020-03-10	2020-05-01	11:10pm	Y	17,750.96	0.00	17,750.96	To adjust ICP accrual to 1 factor, bill out AEPSC	4081002	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	0.00	(21,038.95)	-21,038.95	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	1070001	159
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	7,387.14	0.00	7,387.14	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2420076	159
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	13,651.81	0.00	13,651.81	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	5880000	159
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	0.00	(51,402.97)	-51,402.97	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2360037	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	0.00	(24,189.49)	-24,189.49	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2420076	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	75,592.46	0.00	75,592.46	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	1070001	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	0.00	(127,529.53)	-127,529.53	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	1070001	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	42,886.01	0.00	42,886.01	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2420076	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	84,643.52	0.00	84,643.52	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2360037	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	0.00	(25,290.50)	-25,290.50	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	1070001	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	8,823.70	0.00	8,823.70	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2420076	161
CIP_AIE_3	2020-03-28	2020-03-28	2020-04-23	09:18am	Y	16,467.20	0.00	16,467.20	To accrue FICA & Savings on manual incentive accruals for March 2020 PF change	2360037	161
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	0.00	(24,407.02)	-24,407.02	To adjust ICP accrual to 1 factor	2420624	159
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	0.00	(3,013.76)	-3,013.76	To adjust ICP accrual to 1 factor	2420623	159
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	0.00	(1,299.50)	-1,299.50	To adjust ICP accrual to 1 factor	2420660	159
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	5,072.21	0.00	5,072.21	To adjust ICP accrual to 1 factor	5880000	159
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	8,616.09	0.00	8,616.09	To adjust ICP accrual to 1 factor	1070001	159
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	15,031.98	0.00	15,031.98	To adjust ICP accrual to 1 factor	5880000	159
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	0.00	(228,344.26)	-228,344.26	To adjust ICP accrual to 1 factor	2420624	161
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	0.00	(2,542.50)	-2,542.50	To adjust ICP accrual to 1 factor	2420623	161
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	0.00	(1,152.00)	-1,152.00	To adjust ICP accrual to 1 factor	2420635	161
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	69,611.63	0.00	69,611.63	To adjust ICP accrual to 1 factor	1070001	161
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	78,043.70	0.00	78,043.70	To adjust ICP accrual to 1 factor	5060000	161
CIP_AIE_4	2020-03-10	2020-03-10	2020-05-01	11:11pm	Y	84,383.43	0.00	84,383.43	To adjust ICP accrual to 1 factor	5880000	161
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	0.00	(314,254.50)	-314,254.50	To adjust ICP accrual to 1 factor	5880000	159
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	0.00	(180,506.90)	-180,506.90	To adjust ICP accrual to 1 factor	1070001	159
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	0.00	(60,261.60)	-60,261.60	To adjust ICP accrual to 1 factor	5660000	159
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	28,247.00	0.00	28,247.00	To adjust ICP accrual to 1 factor	2420624	159
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	85,509.00	0.00	85,509.00	To adjust ICP accrual to 1 factor	2420660	159
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	421,267.00	0.00	421,267.00	To adjust ICP accrual to 1 factor	2420623	159
CIP_AIE_4	2020-03-15	2020-03-15	2020-05-01	08:32pm	Y	0.00	(316,001.00)	-316,001.00	To adjust ICP accrual to 1 factor	5060000	161

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-2:

Please identify any changes in accounting policy or practice in 2018, 2019, or 2020 that impact the accounting classification, measurement, or capitalization of items included in SWEPCO's proposed cost of service.

Response No. ETEC-NTEC 1-2:

Please see the Company's response to Staff 5-47 which identifies any of these changes in SWEPCO's proposed cost of service.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

**SOAH DOCKET NO. 473-21-0538
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
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Question No. ETEC-NTEC 1-3:

Please identify all contingency liabilities accrued during the test year ending March 31, 2020 that were recorded using operating expense accounts. For each contingent liability, please discuss the circumstances giving rise to the liability, the expense and liability account charged, and the amount. In addition, please explain whether the accrued expense is included in the revenue requirement and the contingent liability and associated deferred tax balances included in rate base.

Response No. ETEC-NTEC 1-3:

The only contingent liability SWEPCO accrued during the test year and included in revenue requirements with a charge to an operating expense account was \$470,000 for the F.J. Doyle Salvage Superfund Site. The accrual was charged to account 5880000. The circumstances giving rise to the liability were an electrical equipment salvage operation at the site. For the F.J. Doyle Salvage Site, SWEPCO has been identified as a Potentially Responsible Party under the Comprehensive Environmental Response Compensation and Liability Act, which is administered by the Federal EPA.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

**SOAH DOCKET NO. 473-21-0538
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-4:

Please provide a list of all penalties assessed against SWEPCO or billed to SWEPCO from AEPSC or other affiliates recorded in an operating expense ("above the line") account during the test year ending March 31, 2020. Penalties include, but are not limited to, penalties from taxing authorities, civil penalties, environmental penalties, and NERC and reliability compliance penalties. For each item discuss the circumstance giving rise to the penalty and the amount recorded as expense.

Response No. ETEC-NTEC 1-4:

SWEPCO has not recorded any penalties above the line during the test year ending March 31, 2020. SWEPCO records any penalties to FERC Account 4263, which is below the line. Also, the Company is not aware of any penalties billed to SWEPCO from AEPSC or other affiliates recorded in above the line accounts during the test year ending March 31, 2020. AEPSC will record any penalties to FERC Account 4263, which is below the line.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Prepared By: Brian J. Frantz

Title: Dir Accounting

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Brian J. Frantz

Title: Dir Accounting

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-6:

In reference to SWEPCO's 2019 FERC Form No. 1, Page 120, Line 18 (a), the supporting footnote lists "Other" increases and decreases to cash flow from operating activities. Please provide a detailed listing of the items that comprise:

- a. Accrued Utility Revenues, Net – (4,475,227)
- b. Other Deferred Debits, Net – (8,753,225)
- c. Accumulated Provisions – Misc – (14,156,593)
- d. Current and Accrued Liabilities, Net – 10,097,215

Response No. ETEC-NTEC 1-6:

Please see ETEC-NTEC 1-6 Attachment 1 (Cash Flow Data).xlsx for the requested information.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOUTHWESTERN ELECTRIC POWER COMPANY
ETEC-NTEC Q. # 1-6 (FERC Form 1 CF Data)
3/31/2020

Note: Cash flow amounts disclosed in the 12-31-2019 FERC Form 1 represent the change in year-end account balances from 12-31-2018 to 12-31-2019, plus a cash flow statement adjustment for non-cash items, if applicable. Account numbers that make up each requested line item are listed below.

Accrued Utility Revenues, Net						
Account	Description	12/31/2019	12/31/2018	Change	Non-Cash Adj	Total Per Cash Flow Stmt
1730003	Acrd Utility Rev-West	(38,199,197)	(33,723,969)	(4,475,227)	-	(4,475,227)

Other Deferred Debits, Net						
Account	Description	12/31/2019	12/31/2018	Change	Non-Cash Adj	Total Per Cash Flow Stmt
1830000	Prelimin Surv&Investgtn Chrgs	(962,786)	(1,473,260)	510,474		510,474
1840033	Alliance Rail Car - OH	(296,180)	(170,961)	(125,219)		(125,219)
1860001	Allowances	(2,646)	(2,742)	96		96
1860002	Deferred Expenses	(393,529)	(257,057)	(136,472)		(136,472)
1860007	Billings and Deferred Projects	(695,222)	(863,069)	167,847	(3,517,162)	(3,349,315)
1860077	Agency Fees - Factored A/R	(2,502,992)	(3,006,829)	503,836		503,836
1860089	Reclamation Advance	(8,748,643)	(11,541,206)	2,792,563	(2,365,501)	427,062
1860138	MDD-Railcar Lease Exp	0	-	0		0
1860150	Deferred Rate Case Expense	(95,673)	(88,587)	(7,086)		(7,086)
1860153	Unamortized Credit Line Fees	(361,227)	(618,143)	256,916		256,916
1860156	Sabine Mine Rusk Preparation	(12,896,652)	(13,257,115)	360,463		360,463
1860160	Deferred Expenses - Current	(7,716,212)	293,952	(8,010,164)	21,517	(7,988,648)
1890001	Loss Recqd Debt - FMB	(1,937,790)	(2,144,291)	206,501		206,501
1890002	Loss Rec Debt-Ins Purch Cont	(88,920)	(137,982)	49,063		49,063
1890004	Loss Rec Debt-Debentures	(1,766,598)	(1,845,569)	78,971		78,971
1890006	Loss Rec Debt-Sen Unsec Notes	(2,769,343)	(3,229,477)	460,133		460,133
		(41,234,414)	(38,342,334)	(2,892,080)	(5,861,145)	(8,753,225)

Accumulated Provisions - Misc						
Account	Description	12/31/2019	12/31/2018	Change	Non-Cash Adj	Total Per Cash Flow Stmt
2282003	Accm Prv I/D - Worker's Com	218,696	358,347	(139,651)	-	(139,651)
2283000	Accm Prv for Pensions&Benefits	509,453	491,776	17,677	-	17,677
2283001	Deferred Compensation Plan	1,695,071	1,695,071	-	-	-
2283002	Supplemental Savings Plan	62,726	1,049,277	(986,552)	-	(986,552)
2283005	SFAS 112 Postemployment Benef	4,136,650	4,042,857	93,793	24,290	118,083
2283013	Incentive Comp Deferral Plan	147,820	125,829	21,991	-	21,991
2283015	FAS 158 SERP Payable Long Term	779,538	622,359	157,179	(157,179)	-
2283016	FAS 158 Qual Payable Long Term	15,965,745	9,102,163	6,863,582	(6,863,582)	-
2290002	Acc Prv Rate Refnds-Nonassoc	11,291,759	9,170,950	2,120,809	(3,972,813)	(1,852,004)
2290018	Acc Prov Refunds - Tax Reform	-	17,521,430	(17,521,430)	3,506,031	(14,015,399)
2290019	Acc Prov Refund-Excess Protect	12,070,065	9,390,704	2,679,361	-	2,679,361
		46,877,523	53,570,763	(6,693,241)	(7,463,253)	(14,156,493)

Current and Accrued Liabilities, Net						
Account	Description	12/31/2019	12/31/2018	Change	Non-Cash Adj	Total Per Cash Flow Stmt
2410001	Federal Income Tax Withheld	272	-	272	-	272
2410002	State Income Tax Withheld	193,118	191,345	1,773	-	1,773
2410003	Local Income Tax Withheld	-	247	(247)	-	(247)
2410004	State Sales Tax Collected	1,993,789	2,020,411	(26,622)	-	(26,622)
2410005	FICA Tax Withheld	165	-	165	-	165
2410008	Franchise Fee Collected	3,325,476	3,353,607	(28,131)	-	(28,131)
2420000	Misc Current & Accrued Liab	18,069	18,069	-	-	-
2420002	P/R Ded - Medical Insurance	384,666	350,966	33,700	-	33,700
2420003	P/R Ded - Dental Insurance	43,298	42,965	333	-	333
2420005	P/R Ded - Parking Rent	25	-	25	-	25
2420013	P/R Ded - LTD Ins Premiums	5,742	5,334	409	-	409
2420021	Vacation Pay - Next Year	12,462,040	12,023,054	438,986	-	438,986
2420027	FAS 112 CURRENT LIAB	1,534,439	1,510,149	24,290	(24,290)	(0)
2420039	Cur Prov Rate Ref - Exc Protec	-	1,182,499	(1,182,499)	-	(1,182,499)
2420040	Cur Acc Prov Refund - Tax Ref	-	5,832,163	(5,832,163)	-	(5,832,163)
2420046	FAS 158 SERP Payable - Current	89,748	136,265	(46,517)	46,517	-
2420051	Non-Productive Payroll	128,533	103,797	24,736	-	24,736
2420053	Perf Share Incentive Plan	-	1,724,272	(1,724,272)	-	(1,724,272)
2420071	P/R Ded - Vision Plan	17,345	16,956	389	-	389
2420072	P/R - Payroll Adjustment	-	5,853	(5,853)	-	(5,853)
2420076	P/R Savings Plan - Incentive	700,888	606,425	94,463	-	94,463
2420081	Environmntl Remediation Accrua	1,910	1,910	-	-	-
2420504	Accrued Lease Expense	181,556	148,503	33,052	-	33,052
2420511	Control Cash Disburse Account	10,431,595	4,368,055	6,063,540	(233,054)	5,830,486
2420512	Unclaimed Funds	86,189	30,285	55,904	-	55,904
2420514	Revenue Refunds Accrued	16,429,224	9,225,676	7,203,548	(2,102,296)	5,101,251
2420532	Adm Liab-Cur-S/Ins-W/C	188,061	158,703	29,359	-	29,359
2420558	Admitted Liab NC-Self/Ins-W/C	841,629	951,428	(109,799)	-	(109,799)
242059218	Sales Use Tax - Leased Equip	-	182	(182)	-	(182)
242059219	Sales Use Tax - Leased Equip	14,557	-	14,557	-	14,557
2420618	Accrued Payroll	5,828,916	5,135,104	693,813	-	693,813
2420623	Distr, Cust Ops & Reg Svcs ICP	8,541,725	7,067,740	1,473,985	-	1,473,985
2420624	Corp & Shrd Srv Incentive Plan	952,405	806,417	145,988	676,619	822,606
2420635	Generation Incentive Plan	7,364,069	6,383,953	980,116	-	980,116
2420643	Accrued Audit Fees	311,195	100,434	210,761	-	210,761
2420644	Reclamation Liability - Affil	83,257,394	80,428,726	2,828,668	-	2,828,668
2420649	Reclamation Liability - Curr	1,804	2,374	(571)	-	(571)
2420660	AEP Transmission ICP	1,308,477	1,252,489	55,988	-	55,988
2420662	Accrued Railcar Lease Exp - ST	12,687	12,687	-	-	-
2420663	Accrued railcar lease exp - LT	68,204	85,805	(17,601)	-	(17,601)
2420665	Dollar Energy Assistance Pgm	1,509	1,680	(171)	-	(171)
2420700	Quality of Service	45,000	293,531	(248,531)	-	(248,531)
2350001	Customer Deposits-Active	65,024,644	64,476,585	548,060	-	548,060
		221,790,363	210,056,644	11,733,719	(1,636,505)	10,097,215

**SOAH DOCKET NO. 473-21-0538
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-7:

In reference to SWEPCO's 2019 FERC Form No. 1, Page 123.6, SWEPCO discusses the classification of interest on regulated finance leases as operating expenses instead of other income (expense). Please discuss the accounting basis for recording interest on finance leases to operating expense accounts and relevant support in the FERC accounting regulations and precedent. Also, please provide the accounts, with associated amounts, for interest on finance leases during the test year ending March 31, 2020.

Response No. ETEC-NTEC 1-7:

The FERC accounting basis for recording interest on finance leases to operating expense accounts is FERC General Instruction 20 – Accounting for leases which states “*Rental payments on all leases shall be charged to rent expense, fuel expense, construction work in progress, or other appropriate accounts as they become payable.*” (See 18 C.F.R. Pt. 101 (2013), Uniform System of Accounts, General Instruction 20, subparagraph D) For the test year ending March 31, 2020, SWEPCO charged \$370,703 to account 9310005 for interest expense on finance leases.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Renee V. Hawkins

Title: Mng Dir Corporate Finance

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-8:

Please discuss SWEPCO's accounting for all lease expenses in the FERC Form No. 1. The discussion should explain SWEPCO's accounting for lease payments and all other expenses related to any type of lease.

Response No. ETEC-NTEC 1-8:

SWEPCO lease property, plant and equipment including, but not limited to, fleet, information technology and real estate leases. These leases require payments of non-lease components, including related property taxes, operating and maintenance costs. As of the adoption date of ASU 2016-02, management elected not to separate non-lease components from associated lease components in accordance with the accounting guidance for "Leases." Many of these leases have purchase or renewal options. Leases not renewed are often replaced by other leases. Options to renew or purchase a lease are included in the measurement of lease assets and liabilities if it is reasonably certain SWEPCO will exercise the option. Lease obligations are measured using the discount rate implicit in the lease when that rate is readily determinable. AEP has visibility into the rate implicit in the lease when assets are leased from selected financial institutions under master leasing agreements. When the implicit rate is not readily determinable, SWEPCO measures their lease obligation using their estimated secured incremental borrowing rate. Incremental borrowing rates are comprised of an underlying risk free rate and a secured credit spread relative to the lessee on a matched maturity basis. Operating and Finance lease rental costs are generally charged to Operation Expenses and Maintenance Expenses in accordance with rate-making treatment for regulated operations. Therefore, SWEPCO classifies interest expense on regulated finance leases as operating expenses instead of other income (expense). Lease costs associated with capital projects are included in Utility Plant on the balance sheets. For regulated operations with finance leases, a finance lease asset and offsetting liability are recorded at the present value of the remaining lease payments for each reporting period.

SWEPCO leases certain equipment under master lease agreements. Under the lease agreements, the lessor is guaranteed a residual value up to a stated percentage of the equipment cost at the end of the lease term. If the actual fair value of the leased equipment is below the guaranteed residual value at the end of the lease term, SWEPCO is committed to pay the difference between the actual fair value and the residual value guarantee. Historically, at the end of the lease term the fair value has been in excess of the amount guaranteed.

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-9:

SWEPCO's proposes to amortize the undepreciated value of the Dolet Hills production plant over a four-year period. Please provide a detailed list of the cost components that make up the "undepreciated value" of the Dolet Hills production plant with the associated value.

Response No. ETEC-NTEC 1-9:

Please refer to Exhibit MAB-4 in the Direct testimony of Company witness Baird for the amounts making up the undepreciated balance of the Dolet Hills plant.

Prepared By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

**SOAH DOCKET NO. 473-21-0538
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-10:

Please provide a summary explanation of the facilities to be retired related to the Dolet Hills retirement, including a discussion of whether the Dolet Hills facility is inclusive of the lignite mine and associated mining equipment.

Response No. ETEC-NTEC 1-10:

SWEPCO expects to retire all of the facilities at the Dolet Hills Power Station. The investment in Dolet Hills Power Station does not include the Dolet Hills lignite mine or any of the lignite mining equipment.

Prepared By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

**SOAH DOCKET NO. 473-21-0538
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-11:

Please discuss SWEPCO's proposed accounting and rate treatment for removal costs incurred and salvage proceeds received associated with the Dolet Hills retirement. In addition, explain how such amounts will be factored into the computation of "undepreciated value."

Response No. ETEC-NTEC 1-11:

The Company's proposed accounting is to record the actual cost of removal and salvage proceeds received (net salvage) after the retirement of the Dolet Hills plant to the undepreciated value of the plant. It should be noted that Company has included an estimate for its share of the final demolition costs incurred at the plant in Exhibit MAB-4 in the Direct testimony of Company witness Baird.

Prepared By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-12:

Please provide SWEPCO's accounting and rate treatment for materials and supplies, spare parts, and other inventory items associated with the Dolet Hills facility that will be sold, used elsewhere by SWEPCO, or written-off. In addition, explain how such amounts will be factored into the computation of "undepreciated value."

Response No. ETEC-NTEC 1-12:

The Company's proposed accounting is to record the value of any remaining materials and supplies, spare parts, and other inventory items associated with the Dolet Hills Plant after its retirement to the undepreciated value of the plant.

Prepared By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

**SOAH DOCKET NO. 473-21-0538
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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-13:

Please explain whether the Dolet Hills facility was depreciated under a composite method.

Response No. ETEC-NTEC 1-13:

For Book purposes, the Dolet Hills plant was depreciated using composite depreciation rates which factor in the depreciation rates that were approved in SWEPCO's other jurisdictions.

Prepared By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-14:

SWEPCO's 2019 FERC Form No. 1 states that as of December 31, 2019, DHLC has unbilled fixed costs of \$106 million that will be billed to SWEPCO prior to the closure of the Dolet Hills Power Station. Please,

- a. Provide an update to this disclosure, if necessary, to disclose the timing and amount of unbilled fixed costs that will be billed to SWEPCO and other material changes related to this arrangement.
- b. Provide the date DHLC began billing these fixed costs to SWEPCO.
- c. Provide the amount billed to SWEPCO during the test period, the FERC account used to record the costs, and the manner such costs are incorporated in the base rate revenue requirement.

Response No. ETEC-NTEC 1-14:

- a. As of December 31, 2020, DHLC has unbilled fixed costs of \$25 million that, along with other mining costs and land costs, is planned to be billed to SWEPCO prior to September 30, 2021 as the remaining lignite is delivered to Dolet Hills Power Station.
- b. DHLC billed these fixed costs to SWEPCO beginning in January 2020 as a component of production costs relating to actual lignite delivered to Dolet Hills Power Station. The delivered lignite cost per ton increased in the second quarter of 2020 due to the shortened lives and increased depreciation and amortization of the fixed assets at DHLC.
- c. The total amount billed to SWEPCO during the test period for lignite for Dolet Hills Plant was \$45,535,546. The costs were recorded to Account 151 Fuel Inventory. These billings are incorporated into rate base by increasing Account 151 Fuel Inventory and ultimately decreasing Fuel Inventory as the lignite is burned in Dolet Hills Power Station. There is no impact on cost of service as the billings relate to Fuel.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-15:

Please provide a spreadsheet demonstrating the computation of the “undepreciated value” of the Dolet Hills facility with separate and descriptive line items for each step in the computation.

Response No. ETEC-NTEC 1-15:

Please refer to Exhibit MAB-4 in the Direct testimony of Company witness Baird for the amounts making up the undepreciated balance of the Dolet Hills plant.

Prepared By: Jason A. Cash

Title: Accounting Sr Mgr

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
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COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-16:

In reference to Baird Testimony at page 37, please demonstrate the computation of the \$1,418,466 for DHLC equity return and related taxes in SWEPCO's base rate revenue requirement. In addition, please discuss the reasonableness of this amount in the revenue requirement noting the closure of the DHLC mining operations.

Response No. ETEC-NTEC 1-16:

DHLC includes an equity return component and related taxes in its lignite bill which totaled \$1,418,466 for the test year ended March 31, 2021. DHLC calculates this equity return component in accordance with the Lignite Mining Agreement ("LMA") among DHLC and SWEPCO and CLECO. DHLC bases the calculation on the amount of book equity invested by SWEPCO into DHLC and utilizes an ROE rate as defined in the LMA. The amount in the revenue requirement is reasonable as it is based on SWEPCO's historical equity investment in DHLC during the test period as authorized in prior base rate cases in Texas. In future base rate cases, due to the closure of the DHLC mining operations, revenue requirements associated with this DHLC equity return component will decrease as SWEPCO receives a return of capital and dividends from DHLC.

Prepared By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
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COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-17:

For purposes of computing SWEPCO's allowance for funds used during construction (AFUDC) rate, please explain whether the credit line fee expenses associated with the AEP Money Pool are included in the cost of debt and whether the Money Pool borrowings are considered a source of short-term debt.

Response No. ETEC-NTEC 1-17:

Credit line fees are not a component of AFUDC and thus are expensed and included in cost of service in SWEPCO rate cases. Money Pool borrowings are considered a source of short-term debt, but are not included in SWEPCO's capital structure.

Prepared By: Carrie M. Luedtke

Title: Corp Finance Analyst Prin

Sponsored By: Renee V. Hawkins

Title: Mng Dir Corporate Finance

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ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-18:

Is the AEP System Money Pool administered by AEPSC?

Response No. ETEC-NTEC 1-18:

Yes.

Prepared By: Carrie M. Luedtke

Title: Corp Finance Analyst Prin

Sponsored By: Renee V. Hawkins

Title: Mng Dir Corporate Finance

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COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-19:

Please identify all non-pension employee benefit costs that are accrued through charges to operating expense and not held in a trust fund or restricted use account. These benefits include, for example, accrued sick and vacation pay, workman's compensation, and certain medical benefits. Please provide the balance for each item and explain whether the balances are treated like cost-free capital and used to reduce rate base in the cost of service.

Response No. ETEC-NTEC 1-19:

The Company's accrued non-pension employee benefit costs and their balances at March 31, 2020 are:

- Non-Vacation Paid Time Off (Sick Leave, Family Medical Leave (FMLA), Holidays, PDOs, Military Leave, Maternity/Paternity Leave) \$1,285,269
- Vacation \$13,251,611
- Workers Compensation \$1,052,768
- Non-Qualified Supplemental Pension Benefits \$89,748
- Non-Qualified Deferred Compensation \$1,825,198
- Company paid insurance \$1,252,311
- Savings Plan \$260,573
- Severance \$0

These balances are not used to reduce rate base.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Prepared By: Susan I. Scheer

Title: Benefits Consultant

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Andrew R. Carlin

Title: Dir Comp & Executive Benefits

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-20:

Adjustment A-3.7 reduces O&M costs associated with retired units for Knox Lee, Lone Star, and Lieberman power plants. Please discuss the methodology and assumptions used to determine the reduction to O&M expense. In addition, please provide the O&M costs associated with the retired units during the test year ending March 31, 2020.

Response No. ETEC-NTEC 1-20:

The electronically filed workpaper for adjustment A-3.7 details the adjustment to remove test year Generation O&M associated with the retired units. See ETEC-NTEC 1-20 Attachment 1 for the retired unit test year O&M, by unit.

Prepared By: Tara D. Beske

Title: Regulatory Consultant Staff

Sponsored By: Monte A. McMahon

Title: VP Generating Assets SWEPCO

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SWEPCO Generation Test Year O&M Retired Units	
Unit	Test Year O&M
Knox Lee Unit 2	\$24,627
Knox Lee Unit 3	\$5,566
Lone Star Unit 1	\$465,871
Lieberman Unit 2	\$81,690
Lone Star Unit 0	\$38,562
Grand Total	\$616,316

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-21:

Adjustment A-3.9 proposes to include in the cost of service \$696,993 of credit line fee expenses. As it pertains to these credit line fees, please:

- a. Discuss the nature, timing, and amount of letter of credit fees for the AEP System Money Pool.
- b. Explain the terms and conditions the letter of credit fees.
- c. Explain how the letter of credit fees are computed.
- d. Explain if the letter of credit fee is imposed if SWEPCO is in a net receivable position in the AEP System Money Pool.
- e. Provide the average daily balances for Money Pool borrowings and receivables for 2018, 2019, and 2020.

Response No. ETEC-NTEC 1-21:

Assuming this refers to Line of Credit Fees:

- (a) These are paid quarterly and billed to the utilities.
- (b) The revolving credit agreement was signed by AEP, Inc. and is the backstop for the Utility Money Pool. T&C's can be found in the term sheet which has been included as ETEC-NTEC 1-21_Attachment 1.
- (c) For SWEPCO, the fees are allocated based on the maximum short-term debt authorized with a similar calculation occurring for all utilities.
- (d) Yes, since this is still a source of liquidity for the Company.
- (e) See ETEC-NTEC_1_21_Attachment 2.

Prepared By: Carrie M. Luedtke

Title: Corp Finance Analyst Prin

Sponsored By: Renee V. Hawkins

Title: Mng Dir Corporate Finance

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Marketing Term Sheet

AMERICAN ELECTRIC POWER COMPANY, INC.

Amendment to the Existing Credit Facility

Summary of Terms and Conditions

Unless otherwise specified below, the terms and conditions of the amendment ("***the Amendment***") will be consistent with those under the Fourth Amended and Restated Credit Agreement, dated as of June 30, 2016 (the "***Restatement Effective Date***"), among the Borrower, the lenders and letter-of-credit issuers party thereto and Wells Fargo Bank, National Association ("***Wells Fargo Bank***"), as administrative agent (the "***Existing Facility***", as amended by the Amendment, the "***Amended Facility***"). Capitalized terms used herein without definition have the meanings ascribed to them in the Existing Facility.

<i>Borrower:</i>	American Electric Power Company, Inc.
<i>Administrative Agent:</i>	Wells Fargo Bank (in its capacity as administrative agent, the " <i>Agent</i> ").
<i>Joint Lead Arrangers and Joint Bookrunners:</i>	Wells Fargo Securities, LLC (" <i>Wells Fargo Securities</i> "), JPMorgan Chase Bank, N.A. (or an affiliate thereof) (" <i>JPMorgan</i> "), Barclays Bank PLC (" <i>Barclays</i> "), The Bank of Nova Scotia (" <i>Scotiabank</i> "), MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.) (" <i>MUFG</i> "), Citi (as defined in the Commitment Letter), Merrill Lynch, Pierce, Fenner & Smith Incorporated (together with any affiliates it deems appropriate, " <i>MLPFS</i> ") and Mizuho Bank, Ltd. (" <i>Mizuho</i> ").
<i>Syndication Agents:</i>	JPMorgan and Barclays.
<i>Documentation Agents:</i>	Scotiabank, MUFG, Citibank, N.A. (or an affiliate thereof) (" <i>Citi</i> "), Bank of America, N.A. (" <i>BAML</i> ") and Mizuho.
<i>Lenders:</i>	Wells Fargo Bank, JPMorgan, Barclays, Scotiabank, MUFG, Citi, BAML, Mizuho, and other financial institutions acceptable to the Borrower and the Agent.
<i>Effective Date:</i>	Upon the execution and delivery of the loan documents for the Facility, estimated to occur on or around October 12, 2018.
<i>Commitments:</i>	The obligations of the Lenders to make Advances and to participate in Letters of Credit will be increased to \$4,000,000,000.

Termination Date:

The Termination Date will be extended one-year to June 30, 2022, *provided*, that the Borrower may request one one-year extension on each anniversary of the Restatement Effective Date on terms consistent with those under the Existing Facility. For the avoidance of doubt, the Borrower may exercise its extension option only once during the remaining term of the Amended Facility.

Commitment Fee:

A Commitment Fee equal to the basis points per annum set forth in the attached Pricing Grid, based on the ratings assigned to the Borrower's senior unsecured debt, as specified in the Pricing Grid (currently Level 3), times the unused commitment.

The Commitment Fee will be payable by the Borrower quarterly in arrears and on the Termination Date. The Commitment Fee shall be calculated on the basis of actual number of days elapsed in a year of 360 days.

Notice for Base Rate Advances:

The Borrower shall notify the Agent no later than 1:00 P.M. on the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances.

Eurodollar Rate:

“Eurodollar Rate” means, for the applicable interest period, the London interbank offered rate (rounded upward to the nearest 1/16th of 1%) as administered by ICE Benchmark Administration Limited (or any other entity that takes over the administration of such rate) for deposits in immediately available funds in U.S. dollars for a period equal in length to such interest period as displayed on page LIBOR01 of the Reuters screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute Reuters page or screen that displays such rate, or on the appropriate page or screen of such other comparable information service that publishes such rate from time to time as selected by the Agent in its discretion) (in each case, the ***“Screen Rate”***) at approximately 11:00 A.M. (London time) two business days before the first day of such interest period, *provided*, that if the Screen Rate shall be less than zero, such rate shall be deemed to be zero, and *provided, further*, if the Screen Rate shall not be available at such time for such interest period (an ***“Impacted Interest Period”***), the Eurodollar Rate shall be the Interpolated Rate, *provided*, that if any Interpolated Rate shall be less than zero, such rate shall be deemed to be zero.

“Interpolated Rate” means, at any time, for any interest period, the rate per annum (rounded upward to the nearest 1/16th of 1%) determined by the Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the Screen Rate for the longest period for which the Screen Rate is available that is shorter than the Impacted Interest Period; and (b) the Screen Rate for the shortest period for which the Screen Rate is available that exceeds the Impacted Interest Period, in each case, at such time.

Prime Rate:

Clause (i) of the definition of “Base Rate” shall refer to the rate of interest per annum publicly announced from time to time by Wells Fargo Bank as its prime rate (it being acknowledged by the Company that such rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks).

Applicable Margin:

The Applicable Margin means an amount that will vary per the attached Pricing Grid, based on the type of Advance and the ratings assigned to the Borrower’s senior unsecured debt, as specified in the Pricing Grid.

Letters of Credit:

\$1,200,000,000 (the “***LC Sublimit***”) of the Amended Facility will be available for the issuance of standby letters of credit (each, a “***Letter of Credit***”) by the LC Issuing Banks (as defined below). Each of Wells Fargo Bank, JPMorgan, Barclays, Scotiabank, MUFG, Citi, BAML and Mizuho shall have a commitment to issue Letters of Credit of \$50,000,000 in its capacity as a LC Issuing Bank (each, an “***Initial LC Issuing Bank***”). The Borrower may, from time to time, designate additional Lenders to serve as issuers of Letters of Credit (with the consent of any such Lender, which consent may be withheld in the sole discretion of each Lender) (each, an “***Additional LC Issuing Bank***” and, together with the Initial LC issuing Banks, the “***LC Issuing Banks***”).

Uncommitted Accordion:

The Borrower shall have the ability to request an increase in commitments under the Amended Facility pursuant to procedures and on terms and conditions consistent with those under the Existing Facility; *provided* that (a) the aggregate amount of all such increases to occur after the Effective Date shall not exceed \$1,000,000,000 and (b) no Lender shall be required to increase its commitments.

Conditions Precedent to Effectiveness of the Amendment:

The effectiveness of the Amendment and the Lenders’ commitments under the Amended Facility will be subject to customary conditions precedent, including, without limitation, (i) accuracy of representations and warranties in all material respects (or, if already qualified by materiality, in all respects), (ii) absence of defaults, (iii) delivery of customary certificates and organization documents, corporate (and similar) and governmental approvals and legal opinions, (iv) repayment of all amounts outstanding under, and termination of commitments to make extensions of credit under the Existing Facility and (v) payment of all fees and expenses then due and payable.

Other Provisions:

The loan documentation will contain updated definitions, representations and warranties, covenants and other provisions relating to (i) the US Treasury Department’s Financial Crimes Enforcement Network Customer Due Diligence Requirements for Financial Institutions and (ii) LIBOR replacement if adequate and reasonable means do not exist for determining the interest rate applicable to Eurodollar Rate Advances.

Disclosure Documents:

“Disclosure Documents” means the Borrower’s Report on Form 10-K, as filed with the SEC, for the fiscal year ended December 31, 2017, the Borrower’s Quarterly Report on Form 10-Q, as filed with the SEC, for the period ended June 30, 2018, and the Borrower’s Current Reports on Form 8-K, as filed with the SEC after the date of filing the Borrower’s Quarterly Report on Form 10-Q for the period ended June 30, 2018 but prior to the Effective Date.

Pricing Grid

Reference Ratings	Commitment Fee (bps)	Applicable Margin for Eurodollar Rate Advance (bps)	Applicable Margin for Base Rate Advance (bps)
Level 1 ≥A or A2	10.0	100.0	0.0
Level 2 A- or A3	12.5	112.5	12.5
Level 3 BBB+ or Baa1	17.5	125.0	25.0
Level 4 BBB or Baa2	22.5	150.0	50.0
Level 5 BBB- or Baa3 and below or unrated	27.5	175.0	75.0

“Reference Ratings” means the ratings assigned by Standard & Poor’s and Moody’s to the Borrower’s long term senior unsecured debt. If the applicable ratings assigned by Standard & Poor’s and Moody’s are not the same (*i.e.*, a “split rating”), then the higher of such two ratings shall control, unless either rating is below BBB- or Baa3 (as applicable), in which case, the lower of the two ratings shall control.

Changes in Applicable Margin or Commitment Fees resulting from a change in the applicable rating level will become effective upon the date of announcement of any change in the Reference Ratings that results in such change in the applicable rating level.

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-22:

Adjustment A-3.16 provides an inclusion in SWEPCO's cost of service of \$1,689,700 for an annual accrual to establish a major storm reserve. Please explain if SWEPCO will be establishing a rate base adjustment for the balance of the storm reserves.

Response No. ETEC-NTEC 1-22:

For treatment of the over/under catastrophe reserve regulatory asset or liability in future base cases, please refer to the direct testimony of SWEPCO witness Michael Baird (Page 14 Lines 12-19).

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-23:

Adjustment B-1-5.8 – SWEPCO proposes a rate base increase adjustment of \$83,452,444 for prepaid pension and OPEBs. Please provide the computation of the adjustment and explain whether this amount is an actual cash prepayment of costs not funded by ratepayers or employee contributions.

Response No. ETEC-NTEC 1-23:

The prepaid pension and OPEB amounts represent cumulative cash contributions in excess of cumulative pension costs. This prepayment amount is not funded by ratepayers or employee contributions. As described in the direct testimony of Michael Baird at Page 45 Lines 5-13, Adjustment B-1.5.8 reflects an \$83,452,444 increase to include the expense portion of SWEPCO's prepaid pension and OPEBs in rate base consistent with PUC Docket Nos. 33309, 40443, and 46449. The computation of this amount is shown below:

	Schedule B	Workpaper	Acct	3/31/2020	Payroll Expense Ratio	Total
<u>Description</u>	<u>Reference</u>	<u>Reference</u>	<u>Reference</u>	<u>Account Bal</u>	<u>Schedule G-1.3</u>	<u>Adjustment</u>
Pension Prepayment Asset	B-1, ln 14	A-4 Ln 166	1650010	\$ 78,420,555	69.71%	\$ 54,668,633
Post Retirement Welfare - excl Med D Subsidy	B-1, ln 14	A-4 Ln 180	1650035	<u>41,289,535</u>	69.71%	<u>28,783,811</u>
Total				\$ 119,710,090		\$ 83,452,444

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-24:

Adjustment B-1.5.4 - Workpaper "WP B-1.5.4, B-1.5.10 and B-1.5.12" computes the total adjustment to Accumulated Depreciation of (\$224,168,719). However, Workpaper "B-1 (Rate Base and Return)" appears to incorrectly compute the adjustments to Accumulated Depreciation with an inverse computation, resulting in \$224,168,719 on Tab "B-1.5 (Proforma adjustments)" (line 2, column 7) and Tab "B-1.5.4 Accum Depr" (line 5, column 7). Specifically, the Accumulated Depreciation as adjusted is higher than the amount per books, resulting in a need to increase accumulated depreciation balances. Please verify that Adjustment B-1.5.4 should be an increase to accumulated depreciation and make appropriate corrections.

Response No. ETEC-NTEC 1-24:

Adjustment B-1.5.4 Accum Depr should be a decrease to accumulated depreciation. Please note this calculation is correct within Schedule B-1 (Rate Base and Return).xls. A corrected version of WP B-1.5.4 is submitted as ETEC-NTEC Attachment 1-24 (WP B-1.5.4 Accum Depr).xlsx.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOUTHWESTERN ELECTRIC POWER COMPANY
Jurisdictional Accumulated Depreciation Adjustment
For the Test Year Ended March 31, 2020

SOAH Docket No. 473-21-0538
PUC Docket No. 51415
ETEC-NTEC's 1st RFI, Q. # ETEC-NTEC 1-24
Attachment 1
Page 1 of 2

Line No	(1) Description	(2) Schedule B Reference	(3) Workpaper Reference	(4) Acct Reference	(5) Asset Amt As Adjusted	(6) TY Amt Per Books	(7) Total Adjustment
1	Accumulated Depreciation - Production	B-1, ln 2	WP/B-1 5 4	108	\$1,438,830,872	\$1,683,843,439	(\$245,012,567)
2	Accumulated Depreciation - Transmission	B-1, ln 2	WP/B-1.5 4	108	\$579,008,310	\$561,167,996	\$17,840,315
3	Accumulated Depreciation - Distribution	B-1, ln 2	WP/B-1.5.4	108	\$800,571,011	\$778,312,584	\$22,258,426
4	Accumulated Depreciation - General	B-1, ln 2	WP/B-1.5.4	108	\$149,356,881	\$168,611,773	(\$19,254,893)
5	Total				<u>\$2,967,767,073</u>	<u>\$3,191,935,792</u>	<u>(\$224,168,719)</u>

Justification for requested adjustment:

Adjust Accumulated Depreciation to reflect PUCT approved depreciation rates, as discussed in the testimony of Mr. Michael Baird

Sponsored by: Michael Baird

W/P Schedule B-1 5.10

SOAH Docket No. 473-21-0538

PUC Docket No. 51415

ETEC-NTEC's 1st RFI, Q. # ETEC-NTEC 1-24

Attachment 1

Page 2 of 2

SOUTHWESTERN ELECTRIC POWER COMPANY
AFUDC Debt Adjustments to Plant in Service and Accumulated Depreciation
For the Test Year Ended March 31, 2020

Line No.	(1) Description	(2) Schedule B Reference	(3) Workpaper Reference	(4) Acct Reference	(5) Asset Amt As Adjusted	(6) TY Amt Per Books	(7) Total Adjustment
1	Plant in Service - Production	B-1, In 1	WP/B-1.5 10	101	\$61,939,779	\$0	\$61,939,779
2	Plant in Service - Transmission	B-1, In 1	WP/B-1.5 10	101	(672,358)	0	(672,358)
3	Plant in Service - Distribution	B-1, In 1	WP/B-1.5 10	101	976,298		976,298
4	Plant in Service - General	B-1, In 1	WP/B-1.5 10	101	86,939	0	86,939
5	Plant in Service - Fuels	B-1, In 1	WP/B-1.5 10	101	(2,369,670)	0	(2,369,670)
6	Total Plant in Service Adjustment				<u>\$59,960,988</u>	<u>\$0</u>	<u>\$59,960,988</u>
7	Accumulated Depreciation - Production	B-1, In 2	WP/B-1.5 10	108	\$6,458,541	\$0	\$6,458,541
8	Accumulated Depreciation - Transmission	B-1, In 2	WP/B-1 5 10	108	(715,341)	0	(715,341)
9	Accumulated Depreciation - Distribution	B-1, In 2	WP/B-1 5 10	108	796,254		796,254
10	Accumulated Depreciation - General	B-1, In 2	WP/B-1 5 10	108	111,941	0	111,941
11	Accumulated Depreciation - Fuels	B-1, In 2	WP/B-1 5 10	108	(2,205,306)	0	(2,205,306)
12	Total Accumulated Depreciation Adjustment				<u>\$4,446,089</u>	<u>\$0</u>	<u>\$4,446,089</u>

Justification for requested adjustment

Adjust Plant in Service and Accumulated Depreciation for AFUDC due to jurisdictional differences in the debt rate, and increase plant in service and accumulated depreciation to reflect the PUCT approved return on equity in AFUDC as discussed in the testimony of Mr. Michael Baird

Sponsored by: Michael Baird

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-25:

Please explain whether SWEPCO recognizes an inventory allowance for materials and supplies and provide the associated balance sheet and income statement accounts used to record such allowances. In addition, please explain whether and how inventory allowances for materials and supplies are included in the supporting rate schedules.

Response No. ETEC-NTEC 1-25:

SWEPCO does not recognize an inventory allowance for materials and supplies.

Prepared By: Tiffany A. Powell Day

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-26:

Regarding Worksheet "E-1 and E-1.1 (Short Term Assets).xls", tab "E-1.1", please:

- a. Provide a descriptive listing of the items included in Line 28, Other Prepayments, with the associated amounts.
- b. Describe the type of taxes listed as prepaid on Lines 25 and 26. To the extent these amounts or any amounts on Line 28 are income taxes, please explain whether the amounts paid in 2019 were applied to a future tax year or refunded through the 2019 income tax return. For the taxes identified as prepaid in 2020, please explain whether the amounts were applied to a future tax year or elected to be refunded in the 2020 income tax return.

Response No. ETEC-NTEC 1-26:

- a) Please see ETEC-NTEC 1-26 Attachment 1 for a descriptive listing of the items included in Line 28, Other Prepayments, with the associated amounts at 03/31/2020.
- b) The amounts on Lines 25 & 26 of tab "E-1.1" relate to the Texas Miscellaneous Gross Receipts Tax. This is imposed on a utility company in Texas doing business in an incorporated city or town having a population of more than 1,000 according to the last federal census. The rates are imposed by population. This tax payment is made in advance of the business operations for the quarter based on business done during the preceding quarter. The payment amount is booked to the 1650002xx account and amortized each month of the quarter to the 4081006xx account.

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: David A. Hodgson

Title: Tax Acctg & Reg Support Mgr

03/31/2020 Balance in Filing	\$ 7,259,689
Pirkey \$4.5M Dolet Hills \$382K Advanced Royalties	4,913,279
NERC Assessment fee	242,036
Service contract for maintenance at Welsh Plant	200,644
Service contract for maintenance at Flint Creek Plant	88,166
Contract for Upshur Rural 69kv project (advance payment)	57,583
Contract for Enable line project (advance payment)	1,757,980

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-27:

In reference to Baird Testimony at page 39, SWEPCO does not propose any adjustment for Account 106, Completed Construction Not Classified of \$319,647,154. Please identify any amounts included in Account 106 related to operations that are excluded from the base rate revenue requirement.

Response No. ETEC-NTEC 1-27:

There are no amounts included in Account 106 related to operations that are excluded from the base rate revenue requirement.

106 Completed construction not classified - Electric (Major only).

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for electric plant which has been completed and placed in service but which work orders have not been classified for transfer to the detailed electric plant accounts.

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-28:

Adjustment B-1.5.4 records a \$224,168,719 decrease to accumulated depreciation related to a blended accumulated depreciation balance. Please explain the reasonableness of this adjustment and discuss how it is consistent with prior Texas PUC rate decisions for SWEPCO.

Response No. ETEC-NTEC 1-28:

The adjustment is both reasonable and consistent with prior Texas PUC rate decisions for SWEPCO. The Company adjusted its accumulated depreciation reserve (i.e., to restate the reserve amount to reflect only approved depreciation rates in the Texas jurisdiction) in the Company's current depreciation study in Docket No. 51415 and in the last prior Texas rate case (Docket No. 46449). The adjustment was reflected in the depreciation rates approved by the Commission in the prior docket. ETEC-NTEC 1-28 Attachment 1 is a page from Randall Hamlett's testimony in Docket No. 46449 that explains the accumulated depreciation adjustment in that case. ETEC-NTEC 1-28 Attachment 2 is an excerpt from the Commission's order in Docket No. 46449 indicating that there were no adjustments to the Company's proposed level of accumulated depreciation. ETEC-NTEC 1-28 Attachment 3 is a page from Michael Baird's testimony in Docket No. 51415 that explains the accumulated depreciation adjustment in this case.

Prepared By: James D. Spring

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Jason A. Cash

Title: Accounting Sr Mgr

1 cost tax benefit is being amortized over 12 years consistent with the way it was filed in
2 Docket No. 40443.

3 Q. WHAT IS THE PURPOSE OF ADJUSTMENT B-1.5.1 FOR LEASED PLANT?

4 A. Adjustment B-1.5.1 decreases rate base \$30,319,333 to remove capitalized leases and
5 the associated accumulated provision for leases from SWEPCO's rate base since the
6 lease rental payments are included in operating expense.

7 Q. WHAT IS THE PURPOSE OF ADJUSTMENT B-1.5.2 FOR CWIP?

8 A. Adjustment B-1.5.2 excludes the entirety of SWEPCO's \$168,237,065 test year
9 ending CWIP balance from rate base.

10 Q. WHAT IS THE PURPOSE OF ADJUSTMENT B-1.5.3 FOR MATERIALS AND
11 SUPPLIES?

12 A. Adjustment B-1.5.3 reflects a \$1,374,637 increase to the end of the test year materials
13 and supplies balance to include the 13-month average balance in rate base. The
14 13-month average balance is shown on Schedule E-1.

15 Q. PLEASE DESCRIBE ADJUSTMENT B-1.5.4 FOR ACCUMULATED
16 DEPRECIATION.

17 A. Adjustment B-1.5.4 records a \$130,014,051 decrease to accumulated depreciation that
18 SWEPCO would have booked if all of SWEPCO's plant investment were subject to
19 the PUC jurisdiction and depreciation expense had been calculated utilizing the PUC
20 approved depreciation rates. Because of the multi-jurisdictional nature of SWEPCO's
21 operations, the depreciation expense recorded by SWEPCO is based on a composite
22 rate reflecting the rates approved by the PUC, the LPSC and the APSC. This also

1 results in a blended accumulated depreciation balance. The adjustment is the
2 difference between the amount actually recorded as the depreciation provision and the
3 amount that would have been recorded if the PUC approved depreciation rates were
4 applied to all of SWEPCO's depreciable plant. SWEPCO's pro forma adjustment
5 corrects this blended accumulated depreciation balance for ratemaking purposes to
6 reflect the depreciation rates approved by the PUC.

7 Q. PLEASE DESCRIBE ADJUSTMENTS B-1.5.5 AND B-1.5.6.

8 A. These adjustments remove certain investments recorded on SWEPCO's books.
9 Adjustment B-1.5.5 excludes SWEPCO's \$1,271,700 plant held for future use from
10 rate base. Adjustment B-1.5.6 excludes from rate base an \$18,043,976 plant
11 acquisition adjustment and the related (\$18,043,976) accumulated provision for plant
12 acquisition adjustments. This acquisition adjustment represents the purchase of a
13 distribution system in Louisiana.

14 Q. WHAT IS THE PURPOSE OF ADJUSTMENT B-1.5.7 FOR FUEL
15 INVENTORIES?

16 A. Adjustment B-1.5.7 reflects a \$23,749,280 decrease to the end of the test year fuel
17 inventory balances to include in rate base a 13-month average balance of oil inventory
18 and the target level of tons for coal and lignite. This adjustment to the target level of
19 tons for coal and lignite is discussed and supported in the direct testimony of
20 Marguerite C. Mills.

21 Q. WHAT IS THE PURPOSE OF ADJUSTMENT B-1.5.8 FOR PREPAID PENSION
22 ASSETS?

PUC Docket No. 46449
SOAH Docket No. 473-17-1764

Order

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173. [Deleted.]

174. [Deleted.]

174A. In determining a utility's allowable expenses under the Commission's cost-of-service rule, only the electric utility's historical test-year expenses, as adjusted for known and measurable changes, are considered.

174B. SWEPCO did not request, and no party proved, a known and measurable change to the production-maintenance expense.

174C. The test-year expenses of approximately \$148.1 million are reasonable and necessary expenses.

Adjustment to Accumulated Depreciation

175. It was reasonable for SWEPCO to adjust its accumulated-depreciation-account balance downward by \$112,501,487 when conducting its depreciation study to consider only the depreciation rates that the Commission has ordered for SWEPCO and not the depreciation rates ordered by other jurisdictions in which SWEPCO operates.

176. This adjustment ensures that the undepreciated cost of SWEPCO's assets will be spread over the remaining lives of those assets.

Adjustment to Accumulated Depreciation Production Plant

177. The plant demolition studies SWEPCO used to develop terminal removal cost and salvage for each of SWEPCO's generating facilities, when adjusted to account for a 10% contingency factor, are reasonable.

178. It was not reasonable for the demolition studies used in SWEPCO's depreciation studies to include a 15% contingency factor. Instead, a reasonable contingency factor for the demolition studies is 10%.

179. It is common practice to include contingency amounts in cost estimates for contract work across all industries.

180. The 10% contingency factor for inclusion in SWEPCO's demolition studies is reasonable, because the demolition of SWEPCO's natural-gas and coal power plants are less complex,

1 A. Adjustment B-1.5.4 records a \$224,168,719 decrease to accumulated depreciation that
2 SWEPCO would have booked if all of SWEPCO's plant investment were subject to
3 the PUC jurisdiction and SWEPCO had calculated depreciation expense utilizing the
4 PUC approved depreciation rates. Because of the multi-jurisdictional nature of
5 SWEPCO's operations, SWEPCO's records depreciation expense based on a
6 composite rate reflecting the rates approved by the PUC, the LPSC and the APSC.
7 This also results in a blended accumulated depreciation balance. The adjustment is
8 the difference between the amount actually recorded as the depreciation provision and
9 the depreciation provision if SWEPCO applied the PUC approved depreciation rates
10 to all of SWEPCO's depreciable plant. SWEPCO's pro forma adjustment corrects
11 this blended accumulated depreciation balance for ratemaking purposes to reflect the
12 depreciation rates approved by the PUC.

13 Q. PLEASE DESCRIBE ADJUSTMENTS B-1.5.5 AND B-1.5.6.

14 A. These adjustments remove certain investments recorded on SWEPCO's books.
15 Adjustment B-1.5.5 excludes \$823,186 of plant held for future use from rate base.
16 This leaves in \$220,915 related to a Texas distribution substation that SWEPCO
17 expects to place in service in 2020. Adjustment B-1.5.6 excludes from rate base an
18 \$18,043,976 plant acquisition adjustment and the related (\$18,043,976) accumulated
19 provision for plant acquisition adjustments. This acquisition adjustment represents
20 the purchase of a distribution system in Louisiana.

21 Q. WHAT IS THE PURPOSE OF ADJUSTMENT B-1.5.7 FOR FUEL

22 INVENTORIES?

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EAST TEXAS
ELECTRIC COOPERATIVE, INC. AND NORTHEAST TEXAS ELECTRIC
COOPERATIVE, INC.'S FIRST REQUEST FOR INFORMATION**

Question No. ETEC-NTEC 1-29:

Please identify all acquisition adjustments and premiums included in the base rate revenue requirement.

Response No. ETEC-NTEC 1-29:

There are no acquisition adjustments or acquisition premiums included in base rate revenue requirement. See direct testimony of Mr. Michael Baird on page 44 where Adjustment B-1.5.6 is discussed and fully excludes from rate base an \$18,043,976 plant acquisition adjustment and the related (\$18,043,976) accumulated provision for plant acquisition adjustments. This acquisition adjustment represents the purchase of a distribution system in Louisiana.

Please also note, cost of service Account 406 Electric Plant Acquisition Amortization was zero for the test year.

Prepared By: Michael A. Baird

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